

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Van Buren County Public Transit	County Van Buren
Fiscal Year End September 30, 2006	Opinion Date March 27, 2007	Date Audit Report Submitted to State April 11, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

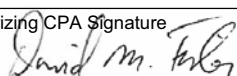
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517-787-6503		
Street Address 675 Robinson Road		City Jackson	State Mi	Zip 49203
Authorizing CPA Signature 		Printed Name David M. Fisher, CPA		License Number 10337

**VAN BUREN COUNTY PUBLIC
TRANSIT**
(a Component Unit of Van Buren County)

Bangor, Michigan

FINANCIAL STATEMENTS

**For The Years Ended
September 30, 2006 and 2005**



REHMANN ROBSON

Certified Public Accountants

VAN BUREN COUNTY PUBLIC TRANSIT
(a Component Unit of Van Buren County)

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

March 27, 2007

Members of the Board
Van Buren County Public Transit
Bangor, Michigan

We have audited the accompanying financial statements of the **VAN BUREN COUNTY PUBLIC TRANSIT**, a component unit of Van Buren County, Michigan, as of and for the years ended September 30, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Van Buren County Public Transit's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Van Buren County Public Transit** as of September 30, 2006 and 2005, and the changes in financial position and cash flows thereof, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the **Van Buren County Public Transit**. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The information on page 22 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ending September 30, 2006

The Management Discussion and Analysis ("MD&A") presents a narrative overview and analysis of the financial activities of the Van Buren County Public Transit (Transit) for the year ended September 30, 2006. The MD&A is designed to assist readers of financial statements in focusing on significant financial activities and issues and to identify any significant changes. As this information is presented in summary form, it should be read in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

The Transit experienced a decrease in net assets of \$32,910 in 2006 as compared to a decrease of \$157,988 in 2005.

Overall revenues, including capital contributions, decreased from \$926,274 in 2005 to \$790,993 in 2006, a 15% decrease. The decrease was primarily the result of a \$231,855 reduction in non-operating revenues.

- Operating revenues increased \$94,020 or 4.5%.
- Non-operating revenues decreased \$231,855 or 4.0%.
- Capital contributions increased \$2,554 or 1.9%.
- Operating expenses decreased \$260,359 or 2.4%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplemental information and compliance information.

The basic financial statements include the following:

- The Statements of Net Assets, which presents assets less liabilities at each fiscal year end.
- The Statements of Revenues, Expenses and Changes in Net Assets, which shows revenues and expenditures for each of the fiscal years.
- The Statements of Cash Flows, which show sources and uses of cash for each of the fiscal years.
- The financial statements also include notes that explain some of the more significant information contained within the statements and provide more detailed data.

The notes are followed by a series of Operating Fund Schedules that further explains and supports information in the basic financial statements.

PROPRIETARY FUND STATEMENTS

The proprietary fund statement reports information about the Transit as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Transit's assets and liabilities. The Statements of Revenues, Expenses and Changes in Net Assets accounts for all of the current year's revenues and expenses regardless of when cash is received or paid.

Net assets – the difference between the Transit's assets and liabilities – are one way to measure the Transit's financial health or position. Over time, increases or decreases in the Transit's net assets are one indicator of whether its financial position is improving or deteriorating. To assess the overall health of the Transit, as user must also consider additional factors such as future changes in state and federal financial assistance, the condition of its rolling stock and facilities and other factors.

NET ASSETS

The Transit's total net assets at September 30, 2006 were \$623,290, a decrease of approximately \$32,910 from the prior year, or 5%. Total assets decreased \$35,079 or 5% and total liabilities decreased \$2,169 or 5.5%.

VAN BUREN COUNTY PUBLIC TRANSIT			
NET ASSETS			
	As of September 30,		
	2006	2005	% Change
ASSETS			
Current assets	\$115,113	\$92,358	24.6%
Capital assets	545,281	603,115	- 9.6%
TOTAL ASSETS	660,394	695,473	-5.0%
LIABILITIES			
Current liabilities	24,708	26,877	-.8.1%
Long-term debt	12,396	12,396	0%
TOTAL LIABILITIES	37,104	39,273	-5.5%
NET ASSETS			
Invested in capital assets, net of related debt	545,281	603,115	-9.6%
Unrestricted net assets	78,009	53,085	47.1%
TOTAL NET ASSETS	\$623,290	\$656,200	-5.0%

CHANGES IN NET ASSETS

The decrease in net assets in 2006 was \$32,910, compared to a \$157,988 decrease in 2005. (See table below.)

VAN BUREN COUNTY PUBLIC TRANSIT CHANGES IN NET ASSETS			
	As of September 30, 2006	2005	% Change
OPERATING REVENUE			
Passenger fares	\$ 296,857	\$ 201,604	47.2%
Other	4,467	5,700	-21.6%
TOTAL OPERATING REVENUE	301,324	207,304	45.4%
OPERATING EXPENSES			
Operations	670,841	868,486	-22.8%
Maintenance	67,433	73,978	-8.8%
Administration	85,629	141,798	-39.6%
TOTAL OPERATING EXPENSES	823,903	1,084,262	-24.0%
OPERATING LOSS	(522,579)	(876,958)	40.4%
NONOPERATING REVENUES			
Government operating grants	340,763	573,586	-40.6%
Other	8,840	7,872	12.3%
TOTAL NONOPERATING REVENUES	349,603	581,458	-39.9%
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(172,976)	(295,500)	40.4%
CAPITAL CONTRIBUTIONS	140,066	137,512	1.9%
CHANGE IN NET ASSETS	(32,910)	(157,988)	79.1%
Total Net Assets, beginning	656,200	814,188	-19.4%
TOTAL NET ASSETS, ENDING	\$623,290	\$656,200	-5.0%

Operating revenues decreased primarily because of the Job Access Reverse Commute/Project Zero grant earned in 2005, which did not reoccur in 2006. Also, operating expenses were reduced primarily as a result of this same grant not reoccurring in 2006. Also, the Transit was able to reduce maintenance and administration costs in 2006 as compared to 2005 because of a strategic effort to reduce costs in light of reduced State funding.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

During the 2006 and 2005 fiscal years, the Transit had capital assets (net of depreciation) as follows:

	<u>2006</u>	<u>2005</u>
Buildings	\$ 109,726	\$ 108,445
Land improvements	73,229	74,729
Buses	330,573	379,095
Vehicles	1,297	5187
Equipment	<u>30,456</u>	<u>35,659</u>
Total	<u>\$ 545,281</u>	<u>\$ 603,115</u>

Included in capital asset additions were two new buses purchased under a capital grant amounting to \$109,658 and additions/renovations to the building also purchased under a capital grant amounting to \$30,305. More detailed information about capital assets can be found in Note II.B. to the financial statements.

Long-term debt:

At year end, the Transit had \$12.396 in long-term debt, which consisted entirely of accrued compensated absences. More detailed information about the Transit's long term liabilities can be found in Note II.C. to the financial statements.

FACTORS BEARING ON THE TRANSIT'S FUTURE

In 2006, voters in Van Buren County approved an operating millage of ¼ mill to fund Transit operations. This millage is levied on December 1, 2006, and will provide additional funding for Transit operations starting in fiscal year 2007. State operating grant revenue is not expected to increase due to the continued stagnant Michigan economy.

CONTACTING THE TRANSIT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, taxpayers and other interested parties with a general overview of the finances of the Van Buren County Public Transit and to demonstrate the Transit's accountability for the money it receives. If you have questions about this report or need additional information, contact the Van Buren County Public Transit at 610 David Walton Drive, Bangor, MI 49013.

BASIC FINANCIAL STATEMENTS

Van Buren County Public Transit

Statements of Net Assets

	<u>September 30,</u>	
	<u>2006</u>	<u>2005</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 43,540	\$ 3,159
Accounts receivable	33,053	37,564
Grants receivable	12,796	24,677
Inventory	8,987	9,162
Prepaid expenses	16,737	17,796
Total current assets	<u>115,113</u>	<u>92,358</u>
Noncurrent assets:		
Capital assets being depreciated, net	<u>545,281</u>	<u>603,115</u>
 Total assets	 <u>660,394</u>	 <u>695,473</u>
Liabilities		
Current liabilities:		
Accounts payable	13,414	15,583
Accrued payroll	11,294	11,294
Total current liabilities	<u>24,708</u>	<u>26,877</u>
Long-term liabilities:		
Accrued compensated absences	<u>12,396</u>	<u>12,396</u>
 Total liabilities	 <u>37,104</u>	 <u>39,273</u>
Net assets		
Invested in capital assets	545,281	603,115
Unrestricted	<u>78,009</u>	<u>53,085</u>
 Total net assets	 <u><u>\$ 623,290</u></u>	 <u><u>\$ 656,200</u></u>

The accompanying notes are an integral part of these financial statements.

Van Buren County Public Transit
Statements of Revenues, Expenses and Changes in Net Assets

	For the Year Ended September 30,	
	2006	2005
Operating revenues	<u>\$ 301,324</u>	<u>\$ 207,304</u>
 Operating expenses		
Operations	670,841	868,486
Maintenance	67,433	73,978
Administration	<u>85,629</u>	<u>141,798</u>
Total operating expenses	<u>823,903</u>	<u>1,084,262</u>
Operating loss	<u>(522,579)</u>	<u>(876,958)</u>
 Nonoperating revenues		
Government operating grants:		
State	239,864	477,137
Federal	90,682	79,199
Local	10,217	17,250
Investment income	1,153	1,654
Other non-operating revenue	<u>7,687</u>	<u>6,218</u>
Total nonoperating revenues	<u>349,603</u>	<u>581,458</u>
Net loss before capital contributions	(172,976)	(295,500)
Capital contributions - grants	<u>140,066</u>	<u>137,512</u>
Change in net assets	(32,910)	(157,988)
Net assets, beginning of year	<u>656,200</u>	<u>814,188</u>
Net assets, end of year	<u><u>\$ 623,290</u></u>	<u><u>\$ 656,200</u></u>

The accompanying notes are an integral part of these financial statements.

Van Buren County Public Transit

Statements of Cash Flows

	For the Year Ended September 30,	
	2006	2005
Cash flows from operating activities:		
Receipts from operations	\$ 317,716	\$ 192,430
Payments to suppliers	43,800	(84,695)
Payments to employees	(670,841)	(868,486)
	<u>(309,325)</u>	<u>(760,751)</u>
Net cash used by operating activities		
Cash flows from noncapital financing activities:		
Operating grants	<u>340,763</u>	<u>573,586</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(139,963)	(127,426)
Capital contributed by governmental units	<u>140,066</u>	<u>137,512</u>
	<u>103</u>	<u>10,086</u>
Net cash provided by capital and related financing activities		
Cash flows from investing activities:		
Other	7,687	6,218
Investment income	<u>1,153</u>	<u>1,654</u>
	<u>8,840</u>	<u>7,872</u>
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	40,381	(169,207)
Cash and cash equivalents, beginning of year	<u>3,159</u>	<u>172,366</u>
Cash and cash equivalents, end of year	<u><u>\$ 43,540</u></u>	<u><u>\$ 3,159</u></u>

Continued...

Van Buren County Public Transit
Statements of Cash Flows (Concluded)

	For the Year Ended September 30,	
	2006	2005
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (522,579)	\$ (876,958)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	197,797	206,026
Changes in assets and liabilities:		
Accounts receivable	4,511	(7,895)
Grants receivable	11,881	(6,979)
Inventory	175	(1,709)
Prepaid expenses	1,059	(12,949)
Accounts payable	(2,169)	(21,605)
Accrued payroll	-	(12,273)
Accrued compensated absences	-	(26,409)
Net cash used by operating activities	\$ (309,325)	\$ (760,751)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Van Buren County Public Transit (“Transit”) is governed by an appointed five-member Council. The Transit is considered to be a component unit of Van Buren County, Michigan for financial accounting and reporting purposes. Federal and state financial assistance in the form of operating and capital grant funding to support operations, specialized services and capital equipment items are received by the Transit. The Transit provides demand response services within Van Buren County, as well as special services to several nonprofit and governmental agencies within the County.

B. Measurement focus, basis of accounting, and financial statement presentation

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Nonexchange transactions, in which the Transit gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and entitlements. On an accrual basis, revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The government accounts for its operations in a single enterprise fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Transit has elected not to follow subsequent private-sector guidance.

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal revenues of the enterprise fund are charges to customers for sales and services. Federal and state operating grants received to subsidize operations are classified as nonoperating revenues.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Assets, liabilities and equity

1. Deposits

The Transit's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Transit to deposit in the accounts of federally insured banks, credit unions and savings and loan associations and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, banker's acceptances, and mutual funds composed of otherwise legal investments.

2. Inventories and Prepaid Items

Inventory consists of diesel fuel and is valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Land improvements	10-20
Buses	5
Other vehicles	4-5
Furniture and equipment	4-10

4. *Accrued vacation, incentive and sick pay*

Transit employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount has been recorded as a long-term liability.

II. DETAILED NOTES ON ALL FUNDS

A. Cash and cash equivalents

The following is a summary of cash and cash equivalents balances as of September 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Savings accounts	\$ 17,696	\$ 19,356
Deposits with Van Buren cash pool	<u>25,844</u>	<u>(16,197)</u>
Total	<u>\$ 43,540</u>	<u>\$ 3,159</u>

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

Deposit and investment risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Transit's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Transit's investment policy does not have specific limits in excess of state law on investment credit risk, nor does the Transit have any investments at September 30, 2006.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Transit's deposits may not be returned. State law does not require and the Transit does not have a policy for deposit custodial credit risk. As of September 30, 2006 and 2005, the entire amount of the Transit's bank balance of \$17,696 and \$19,356, respectively, was insured. The bank balance for deposits in which the Transit has \$25,844 at September 30, 2006 and a negative balance of \$16,197 at September 30, 2005 is held by Van Buren County and may be partially covered by federal depository insurance. The amount of federal depository insurance is determined for the County as a whole, but cannot be separately identified for the Road Commission.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Transit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Transit does not have a policy for investment custodial credit risk. The Transit did not have any investments at September 30, 2006 and September 30, 2005.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The Transit's investment policy does not have specific limits in excess of state law on concentration of credit risk. The Transit did not have any investments at September 30, 2006 and September 30, 2005.

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

B. Capital assets

Capital assets activity for the year ended September 30, 2006, was as follows:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets, being depreciated:				
Buildings	\$ 539,671	\$ 30,305	\$ -	\$ 569,976
Land improvements	82,229	-	-	82,229
Buses	860,253	109,658	-	969,911
Vehicles	43,656	-	-	43,656
Furniture and equipment	85,365	-	-	85,365
Subtotal	<u>1,611,174</u>	<u>139,963</u>		<u>1,751,137</u>
Less accumulated depreciation for:				
Buildings	431,226	29,024		460,250
Land improvements	7,500	1,500		9,000
Buses	481,158	158,180		639,338
Vehicles	38,469	3,890		42,359
Furniture and equipment	49,706	5,203		54,909
Total accumulated depreciation	<u>1,008,059</u>	<u>197,797</u>	<u>-</u>	<u>1,205,856</u>
Total capital assets being depreciated, net	<u>\$ 603,115</u>	<u>\$ (57,834)</u>	<u>\$ -</u>	<u>\$ 545,281</u>

Capital asset activity for the year ended September 30, 2005 was as follows:

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Capital assets, being depreciated:				
Buildings	\$ 519,292	\$ 20,379	\$ -	\$ 539,671
Land improvements	82,229	-	-	82,229
Buses	753,206	107,047	-	860,253
Vehicles	43,656	-	-	43,656
Furniture and equipment	85,365	-	-	85,365
Subtotal	<u>1,483,748</u>	<u>127,426</u>	<u>-</u>	<u>1,611,174</u>
Less accumulated depreciation for:				
Buildings	404,583	26,643	-	431,226
Land improvements	6,000	1,500	-	7,500
Buses	314,018	167,140	-	481,158
Vehicles	34,579	3,890	-	38,469
Furniture and equipment	42,853	6,853	-	49,706
Total accumulated depreciation	<u>802,033</u>	<u>206,026</u>	<u>-</u>	<u>1,008,059</u>
Total capital assets being depreciated, net	<u>\$ 681,715</u>	<u>\$ (78,600)</u>	<u>\$ -</u>	<u>\$ 603,115</u>

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

Depreciation expense for the years ended September 30, 2006 and 2005 was \$197,797 and \$206,006, respectively.

C. Long-term debt

Changes in Long-Term Debt

Following is a summary of long-term debt activity for the year ended September 30, 2006:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>One Year</u>
Accrued vacation, incentive and sick pay	<u>\$ 12,396</u>	<u>\$ 32,056</u>	<u>\$ (32,056)</u>	<u>\$ 12,396</u>	<u>\$ -</u>

III. OTHER INFORMATION

A. Risk management

The Transit is exposed to various risks of loss related to assets; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, medical benefits provided to employees, and natural disasters.

The Transit has purchased commercial insurance for employee medical claims, and participates in the Michigan Municipal Liability and Property Pool and Michigan Municipal Workers' Compensation Fund for all other claims.

Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

VAN BUREN COUNTY PUBLIC TRANSIT

Notes to Financial Statements

B. Retirement Plan

Union Employees' Pension Plan

Transit employees participate in the Van Buren County Employee Pension Plan. All County employees are eligible to participate in the Plan. The Transit is required to pay contributions to the Plan that match the participant's contribution up to a maximum of 5% of employee compensation.

The Transit contributed \$ 4,315 and \$10,180 to the Plan for the years ended September 30, 2006 and 2005, respectively.

C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Transit expects such amounts, if any, to be immaterial.

D. Subsequent Event

In 2006, voters in Van Buren County approved an operating millage of ¼ mill to fund Transit operations. This millage is levied on December 1, 2006, and will provide additional funding for Transit operations starting in fiscal year 2007.

* * * * *

OPERATING FUND SCHEDULES

Van Buren County Public Transit
Schedule of Operating Revenues

	For the Year Ended September 30,	
	2006	2005
Passenger fares:		
General public	\$ 37,805	\$ 40,913
Contract rides:		
Mental Health - MTI	173,563	103,366
Mental Health - Hope Center	59,085	39,021
Other	26,404	18,304
Specialized services	4,467	5,700
	<u>\$ 301,324</u>	<u>\$ 207,304</u>

Van Buren County Public Transit
Schedule of Operating Expenses

	For the Year Ended September 30, 2006				2005
	Operations	Maintenance	Administration	Total	Total
Labor:					
Operator salaries and wages	\$ 186,271	\$ -	\$ -	\$ 186,271	\$ 195,161
Dispatcher salaries and wages	19,829	-	-	19,829	27,052
Other salaries and wages	-	23,979	28,684	52,663	84,091
Total labor	206,100	23,979	28,684	258,763	306,304
Fringe benefits	144,378	12,221	22,627	179,226	213,024
Purchased services:					
Professional and technical	-	-	7,610	7,610	10,533
Maintenance	-	1,100	-	1,100	950
Other	13,143	20,252	11,032	44,427	34,437
Total purchased services	13,143	21,352	18,642	53,137	45,920
Materials and supplies:					
Fuel and lubricants	83,348	-	-	83,348	54,514
Tires and tubes	2,429	-	-	2,429	1,133
Other materials and supplies	5,304	8,992	3,137	17,433	15,957
Total materials and supplies	91,081	8,992	3,137	103,210	71,604
Utilities	6,464	-	10,675	17,139	16,074
Insurance	11,831	-	-	11,831	11,905
Miscellaneous expenses:					
Advertising	-	-	290	290	1,168
RTAP	-	-	-	-	342
Job Access/Project Zero	-	-	-	-	205,019
Other	47	889	1,574	2,510	3,276
Total miscellaneous expenses	47	889	1,864	2,800	209,805
Leases and rentals	-	-	-	-	3,600
Depreciation	197,797	-	-	197,797	206,026
Total operating expenses	\$ 670,841	\$ 67,433	\$ 85,629	\$ 823,903	\$ 1,084,262

Van Buren County Public Transit
Schedule of Non-Operating Revenues
State and Federal
For the Years Ended September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
State of Michigan operating grants:		
Formula Operating assistance	\$ 246,169	\$ 278,672
Prior year adjustments	(6,305)	6,483
Job Access Reverse Commute/Project Zero - Section 3037	<u>-</u>	<u>191,982</u>
Total State of Michigan operating grants	<u>239,864</u>	<u>477,137</u>
Federal operating grants:		
U.S. Department of Transportation, operating grant - Section 5311	82,435	79,025
Prior year adjustment- Section 5311	7,848	-
RTAP	<u>399</u>	<u>174</u>
Total federal operating grants	<u>90,682</u>	<u>79,199</u>
Total nonoperating revenues	<u><u>\$ 330,546</u></u>	<u><u>\$ 556,336</u></u>

Van Buren County Public Transit
Schedule of Computations of Net Eligible Costs for General Operations

	Year Ended September 30,	
	2006	2005
Expenses		
Labor	\$ 258,763	\$ 306,304
Fringe benefits	179,226	213,024
Purchased services:	53,137	45,920
Materials and supplies	103,210	71,604
Utilities	17,139	16,074
Insurance	11,831	11,905
Miscellaneous expenses:	2,800	209,805
Leases and rentals	-	3,600
Depreciation	197,797	206,026
	<hr/>	<hr/>
Total expenses	823,903	1,084,262
 Less ineligible expenses:		
Depreciation	197,797	206,026
Dues	52	51
Grant costs:		
RTAP	399	342
Job Access/Project Zero	-	205,019
	<hr/>	<hr/>
Total ineligible expenses	198,248	411,438
	<hr/>	<hr/>
Net eligible expenses	<u>\$ 625,655</u>	<u>\$ 672,824</u>
 State:		
Maximum State Operating Assistance		
39.25% of \$ 625,655 for 2006	<u>\$ 245,569</u>	<u>\$ 258,634</u>
Federal:		
17.0% of \$ 625,655 for 2006	<u>\$ 106,361</u>	<u>\$ 83,430</u>

Van Buren County Public Transit
Mileage Data
(Unaudited)

	Year Ended September 30,	
	2006	2005
Public Transportation		
Vehicle Mileage		
1st quarter	72,495	86,217
2nd quarter	78,807	87,450
3rd quarter	85,842	93,747
4th quarter	73,447	91,311
Total vehicle mileage	310,591	358,725



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



April 9, 2007

Members of the Board
Van Buren County Public Transit
Bangor, Michigan

We have audited the financial statements of the Van Buren County Public Transit for the year ended September 30, 2006, and have issued our report thereon dated April 9, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated November 21, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Van Buren County Public Transit. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Van Buren County Public Transit are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Van Buren County Public Transit during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Van Buren County Public Transit's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Van Buren County Public Transit, either individually or in the aggregate, indicate matters that could have a significant effect on the Van Buren County Public Transit's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Van Buren County Public Transit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Van Buren Public Transit, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

VAN BUREN COUNTY PUBLIC TRANSIT

Comments and Recommendations

For the Year Ended September 30, 2006

During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated April 9, 2007 on the financial statements of the Van Buren County Public Transit.

Internal Accounting Control Comments

Presently, the bookkeeper posts receipts and disbursements and journal entry transactions to the general ledger, as well as reconciles the bank account. In order to enhance the internal controls in this area, we recommend that another person review the completed reconciliation and document this step by initialing and dating the reconciliations.

The Transit does not currently have a formal program for inventorying its capital assets. We recommend that the Transit adopt a policy which provides for a periodic verification (annually, every three years, etc.) of the detail assets carried on the inventory against the presence of the actual asset.

Closing of year end

The audit for the year ended September 30, 2006 was delayed because the records were not ready for audit until the third week of March 2007. This delay was caused by extenuating circumstances including the bookkeeper performing more than bookkeeping duties. However, in the future, the Transit will want to ensure that sufficient manpower is assigned to closing out the accounts soon after fiscal year end in order to file timely financial reports with the Michigan Departments of Transportation and Treasury.

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